



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

March 2, 2009

Alison Ascher-Webber, Executive Director
Leadership Training and Education Fund
c/o SEIU Local 1877
8105 Edgewater Drive #235
Oakland, CA 94621

Dear Ms. Ascher-Webber:

Enclosed is our final report relative to our review of Leadership Training and Education Fund's compliance with the Employment Training Panel Agreement No. ET04-0519 for the period December 3, 2003 through December 2, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment A to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Kelly Greer, President

LEADERSHIP TRAINING AND EDUCATION FUND

ET04-0519

Final Review Report

For The Period

December 3, 2003 through December 2, 2005

Report Published March 2, 2009

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REVIEW REPORT

Summary

We reviewed Leadership Training and Education Fund's compliance with Agreement No. ET04-0519, for the period December 3, 2003 through December 2, 2005. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period August 1, 2007 through October 26, 2007.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$356,535. Our review supported \$355,145 is allowable. The balance of \$1,390 is disallowed and must be returned to ETP. The disallowed costs resulted from 2 trainees who did not meet minimum wage requirements, and 1 trainee who did not meet post-training retention requirements.

REVIEW REPORT (continued)

Background

Leadership Training and Education Fund (LTEF) is a non-profit partnership between janitorial companies and Service Employees International Union, Local 1877. Based in Oakland, the partnership provides training to unionized janitors working in the greater San Francisco Bay Area.

This Agreement was the first one between LTEF and ETP. The training project sought to help unionized janitors who meet the legislative mandate of Special Employment Training – Workers with Multiple Barriers to Employment. Trainees were predominantly janitorial workers with minimal literacy skills, restricted job skills and limited work experience. Training focused on helping these workers become self-sufficient team members in a high-performance work setting. Therefore, the Agreement provided for training in Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, and Literacy Skills, such as Vocational English as a Second Language.

This Agreement allowed LTEF to receive a maximum reimbursement of \$499,010 for retraining 718 employees. During the Agreement term, the Contractor placed 513 trainees and was reimbursed \$356,535 by ETP.

Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$355,145 of the

REVIEW REPORT (continued)

\$356,535 paid to the Contractor under this Agreement is allowable. The balance of \$1,390 is disallowed and must be returned to ETP.

Views of Responsible Officials

The review findings were discussed with Alison Ascher-Webber, Executive Director, and Kelly Greer, President, during a telephone exit conference held on November 30, 2007, and via e-mail on December 12, 2007. Ms. Ascher-Webber agreed to bypass the draft report and proceed to the final audit report.

The issuance of your final review report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning December 14, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$143.94, which was deducted from the total accrued interest.

Appeal Rights

If you wish to appeal the review findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: October 26, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0519 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Review Results

LEADERSHIP TRAINING AND EDUCATION FUND

AGREEMENT NO. ET04-0519

FOR THE PERIOD

DECEMBER 3, 2003 THROUGH DECEMBER 2, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 356,535</u>	
Costs Disallowed:		
Minimum Wage Requirement Not Met	1,390	Finding No. 1
Post-Training Retention Requirements not Met	<u>-</u>	Finding No. 2
Total Costs Disallowed	<u>\$ 1,390</u>	
Training Costs Allowed	<u>\$ 355,145</u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Minimum Wage Requirement Not Met Trainee employment information shows that two trainees did not meet the minimum wage requirement specified in the Agreement. Therefore, we disallowed \$1,390 (2 Job No. 1 trainees x \$695) in training costs claimed for these trainees.

Exhibit A, paragraph VII of the Agreement between Leadership Training and Education Fund (LTEF) and ETP states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

The Agreement required that Job No. 1 trainees employed in San Francisco and Alameda Counties earn a minimum wage rate of \$11.98 per hour following the post-training retention period. The Agreement allowed the Contractor to include the dollar value of employer-paid health benefits to meet minimum wage requirements. The table below shows the wage reported by LTEF, required wage rate, wage reported by employer, and employer-paid health benefits.

Trainee No.	Job No.	Reported Wage Rate	Required Wage Rate	Wage Rate Per Employer Responses	Employer-Paid Health Benefits	Total Actual Wage Rate
1	1	\$9.45	\$11.98	\$8.90	\$1.90	\$10.80
2	1	\$9.64	\$11.98	\$9.74	\$0.00	\$9.74

Recommendation LTEF must return \$1,390 to ETP. In the future, the Contractor should ensure all trainees meet minimum wage requirements and obtain documentation of employer-paid health benefit costs, if necessary, before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Post-Training Retention Requirements Not Met	<p>Employment information shows that one trainee did not meet post-training retention requirements. (Trainee No. 2 had all training costs previously disallowed in Finding No. 1)</p> <p>Exhibit A, paragraph VII. A. of the Agreement between LTEF and ETP states, “Each trainee must be employed full-time, at least 35 hours per week, with the Contractor or a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training.”</p> <p>Employer payroll information obtained via Employment Verification Questionnaire indicates that Trainee No. 2 did not meet post-training requirements. The Contractor reported that Trainee No. 2 completed retention from June 15, 2004 – September 13, 2004. However, she was terminated August 30, 2004, prior to completion of the 90 day retention period. Furthermore, employer payroll documents show that zero wages were paid to her after June 15, 2004. Thus, Trainee No. 2 failed to work at least an average of 35 hours per week. EDD base wage information does not support this trainee was employed full-time during the identified retention period or any subsequent 90-day period up to the Agreement end date.</p>
Recommendation	<p>In the future, the Contractor should ensure that trainees meet all applicable post-training retention requirements before claiming reimbursement from ETP.</p>

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006